

## **FISCAL NOTE**

### **HB 253 - SB 1504**

March 20, 2001

**SUMMARY OF BILL:** Creates the Tennessee Strategic Planning Act of 2001 and the Tennessee Performance Based Budgeting Act of 2001 as follows:

#### **Tennessee Strategic Planning Act of 2001**

- Designates the act as a pilot project applying only to cabinet agencies within state government that are selected by the Commissioner of Finance and Administration to participate in the pilot project. Three cabinet agencies are to be selected to participate in the pilot project.
- Sunsets the pilot project effective June 30, 2005.
- Designates the Commissioner of Finance and Administration as the Chief Planning Officer of the State.
- Requires designation of a planning officer from each state agency in the pilot project to coordinate with the Commissioner of Finance and Administration and with the planning officers of other agencies all activities and responsibilities of the agency relating to planning.
- Requires each state agency strategic plan to specify those objectives against which the agency's achievement of its goals will be judged.
- Requires the agency strategic plan to be developed with a two to five year outlook and shall provide the strategic framework within which the agency's budget is developed.
- Beginning in 2002, requires the head of each agency in the pilot must prepare an agency strategic plan and submit the plan to the Commissioner of Finance and Administration at a time prescribed by the Commissioner. Such plan to be in a form and manner prescribed in written instructions prepared by the Commissioner of Finance and Administration. The commissioner shall review the state agency's strategic plan to ensure it is consistent specified requirements.
- Requires the commissioner to submit copies of each state agency strategic plan to the speakers of the Senate and House of Representatives for referral to the respective Finance Ways and Means Committees and other appropriate standing committees, no later than 30 days prior to the next regular session of the general assembly.

#### **Tennessee Performance-Based Budgeting Act of 2001**

- Designates the act as a pilot project applying only to cabinet agencies within state government that are selected by the Commissioner of Finance and Administration to participate in the pilot project.
- Sunsets the pilot project effective June 30, 2005, except in the following areas:
  - The following areas apply only to FY 2003-04:
    - The performance measurement and standard adoption provisions outlined in 9-4-5004(c).
    - The performance standard adjustment provisions outlined in 9-4-5004(d).

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- The performance reporting provisions outlined in 9-4-5007.
- The audit provisions outlined in 9-4-5008.
- The other provisions apply only to the FY 2003-04 and FY 2004-05.
- Requires the Governor to provide to the General Assembly, in addition to items to be set forth in the budget document pursuant to TCA 9-4-5101, a performance-based program budget for programs administered by each state agency in the pilot.
- Requires by October 1, 2002 and October 1, 2003, the head of each state agency must identify and submit to the Commissioner of Finance and Administration a list of proposed state agency programs and performance measures for the next fiscal year.
  - Requires the performance measures, proposed by the agency, to be consistent with the objectives in the state agency strategic plan, and shall represent one-year implementation efforts necessary to meet the state agency strategic plan objectives.
- Requires certain documentation to accompany the list of proposed programs and measures submitted by the agency.
- Requires the performance-based program budget request submitted by each agency to contain the programs and performance measures adopted by the general assembly, or, if none are adopted, those approved by the Commissioner of Finance and Administration.
- Provides the general assembly to have final approval of all programs, performance measures, and standards through the general appropriations act.
- Requires no later than 45 days after the general appropriations act becomes law, the head of each state agency involved in the pilot may submit to the Commissioner of Finance and Administration any adjustments to program performance standards based on the amounts appropriated for each program by the General Assembly.
  - When such adjustment is made, all performance standards, including any adjustments made, shall be submitted to and reviewed and revised as necessary by the Commissioner of Finance and Administration to the chairmen of Finance Ways and Means Committees of the Senate and House of Representatives.
  - Requires the Commissioner of Finance and Administration to submit both the official record of adjustments to the performance standards as part of the agency's approved operating budget and the official performance ledger.
- Requires the head of each state agency included in the pilot to prepare a performance-based budget request for Fiscal Year 2003-04 and Fiscal Year 2004-05 on blanks furnished by the Commissioner of Finance and Administration and to submit the budget request to the commissioner by dates to be prescribed by the commissioner.
- Requires the Commissioner of Finance and Administration to develop performance-based budget request instructions from which each state agency shall prepare its performance-based program budget request, which shall be submitted to the Commissioner of Finance and Administration.

- ### ESTIMATED FISCAL IMPACT:

**Other Fiscal Impact - Use of performance-based budgeting may result in decreased state expenditures; however, the amount of any such decrease cannot be determined.**

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- Since the bill implements a pilot project involving only three departments, estimated cost does not include funding for automating a statewide performance-based budget system in the Department of Finance and Administration as requested by the Department. The Department of Finance and Administration estimates the cost to change the current automated budget system to a performance-based budget system to be approximately \$1,800,000.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

James A. Davenport, Executive Director